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PROGRAMME PLANNING AND IMPLEMENTATION

Country and intercountry programmes and projects

EXTENSION OF THE THIRD COUNTRY PROGRAMME FOR CYPRUS

Period of extension: 1993 Fourth cycle IPF resources required: $628,000

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I. JUSTIFICATION

1. The third country programme for Cyprus was approved by the Governing Council at its special session in February 1987, for the programme period January 1987 to December 1991. Council decision 91/29 of 25 June 1991 resulted in Cyprus becoming a net contributor country, in 1992, at the beginning of the fifth cycle. However, pending progress in the talks between the leaders of the two communities of Cyprus, the Government has requested an extension of the third country programme until 31 December 1993, using unspent resources from the indicative planning figure (IPF) plus cost-sharing from the fourth cycle, at which time a decision will be made on the future of the Cyprus country programme. An extension of the third country programme was approved by the Administrator for a period of one year beginning 1 January 1992. In keeping with the Government's request, the approval of the Council is sought for a further one-year extension beginning 1 January 1993.

II. OBJECTIVES

2. The foremost priority of the Government is early satisfactory resolution of the problem of communal strife in Cyprus. In effect, this takes precedence over all other socio-economic priorities. Given the direct involvement of the United Nations in the search for a solution to the problem, this also affects the nature of UNDP operations and the activities of the United Nations development system in Cyprus. Since 1975, the United Nations, through the mission of good offices entrusted to the Secretary-General by the Security Council's resolution 307, has been promoting an intercommunal negotiation process aimed at reaching a political solution.

3. With regard to the Government's overall economic development strategy, the main focus, reflected in the current five-year development plan, is directed towards the modernization of the economy with special emphasis on the technological upgrading of all sectors, and improvements in the organizational structure of Cypriot enterprises. For the industrial sector, such cooperation, to be supported by the appropriate institutional frameworks, is especially encouraged in areas pertaining to quality standards, modern design, market research, flexible specialization and consortia or other new cooperative arrangements among enterprises. Much of this will be achieved through the continuation of existing projects focusing on these objectives.

4. In encouraging the introduction of new technologies, the restructuring efforts will in the first instance focus on export-oriented sectors and those sectors that will face increasing direct competition from abroad under the European Community customs union agreement. Also, such new technologies will most likely focus on capital intensive technologies in the light of the constraints imposed by the limited possibilities for expansion of the labour force. Simultaneously, the Government is embarking on measures to improve the productivity of all other sectors. This is important, since continuing low productivity in those sectors will ultimately lead to increased production

costs for the more competitive sectors. In pursuing the above strategy, special attention will be paid to some of the parallel objectives set out in the Plan, such as (a) the preservation of the natural environment and the strengthening of those elements that constitute the quality of life in Cyprus and (b) a balanced growth, both sectorally and geographically, without creating unstable price levels, external accounts, external debt ratios or adversely affecting employment and income distribution.

III. DESCRIPTION OF THE PROGRAMME

5. Under the ongoing third country programme, it was agreed to concentrate UNDP cooperation in three areas:

(a) Improvement of industrial competitiveness in order to enable this sector to meet the challenges of changing markets and international economic relations;

(b) Long-term resource management of the country's renewable and non-renewable resources, with special emphasis on island-wide activities and environmental issues;

(c) Improvement of public sector efficiency so that public services are equipped to match increased productivity in the private sector.

6. A mid-term review of the ongoing country programme was held in March 1990. A major part of the available IPF resources had been committed at that time. Hence, the review did not only assess the ongoing programme but also served as a forum for preliminary discussions on the approach for the fourth country programme. The review concluded that the three development objectives referred to in the third country programme document retained their validity for the country's development needs and priorities and, to some extent, had even gained more relevance given the decisions to enter a full-fledged EC customs union with the EEC and to apply for full membership in the Community, both steps giving greater urgency to the planned restructuring of the economy and ongoing efforts to enhance its competitiveness. The continuing rapid growth of the Cyprus economy during recent years has also given further impetus to the earlier identified need for careful planning and management of the country's renewable and non-renewable resources in order to protect the overall environment. In addition, the dynamism and initiatives of the country's private sector in enhancing their productivity reinforce the need for a more effective and efficient public sector, fully equipped to provide supporting services through modern management systems and techniques.

7. While not explicitly assessing specific areas of concentration for future programming, the review did conclude that with regard to activities related to the improvement of industrial competitiveness, it was desirable to broaden the focus to activities related to the country's overall economic restructuring and increased competitiveness. The further build-up of programme commitments would continue to be within the three areas of concentration agreed upon. In selecting new pipeline projects, particular emphasis will be given to the

potential to mobilize further cost-sharing resources. The review recommended that programme cost-sharing should be adopted in order to made use of UNDP's capacity to deliver specific technical cooperation in priority areas. It was concluded that until a programme cost-sharing arrangement could be formalized, UNDP and the Planning Bureau would actively pursue project cost-sharing arrangements. To this effect, the Planning Bureau will prepare an inventory of projects for possible cost-sharing arrangements in consultation with concerned ministries and parastatal government organizations.

8. For the period of this extension, the programme will continue to concentrate on the following areas: (a) economic restructuring and competitiveness; (b) long-term resource management; and (c) improvement of public sector efficiency. The programme will continue to attempt to achieve a more equitable distribution of national income by income group and by region.

IV. FINANCIAL SUMMARY

ESTIMATED RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

		$	$
A.	Ongoing country programme		
	Fourth cycle IPF	2 955 000	
	Carry-over from third cycle	690 000	
	Fourth cycle cost-sharing	-	
	Total fourth cycle resources		3 645 000
	Expenditure 1987-1991		(2 358 000)
	Carry-over to fifth cycle		1 287 000
B.	Anticipated resource needs for extension period		
	IPF carry-over from fourth cycle	1 287 000	
	Estimated expenditure for 1992	(659 000)	
	Programme cost-sharing	-	
	Project cost-sharing	-	
	Total		628 000
C.	Fifth cycle resources available after extension period		
	IPF	1 155 000	
	Cost-sharing	-	
	Total		1 155 000

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V. RECOMMENDATION

9. The Administrator recommends that the Governing Council approve the second extension of the third country programme for Cyprus for a period of one year from 1 January 1993.